

**IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

MONA ABOUZIED, Individually and on Behalf
of All Others Similarly Situated,

Plaintiff,

v.

APPLIED OPTOELECTRONICS, INC., CHIH-
HSIANG (THOMPSON) LIN, and STEFAN J.
MURRY,

Defendants.

Case No. 4:17-cv-02399

NOTICE OF RELATED CASES

Lead Plaintiff Lawrence Rougier (“Lead Plaintiff”) files this Notice of Related Cases pursuant to LR 5.2 to inform the Court that two related cases were recently filed in this District: *Taneja v. Applied Optoelectronics, Inc. et al.*, No. 4:18-cv-03544 (filed Oct. 1, 2018) (Lake, J.) and *Pokoik v. Applied Optoelectronics, Inc. et al.*, No. 4:18-cv-3722 (filed Oct. 10, 2018) (together, the “New Actions”). The New Actions, whose complaints are substantially identical, involve the same claims against the same named defendants, and involve the same subject matter that comprises all or a material part of the subject matter and operative facts which are involved in the present action (the “Action”).

The First Amended Complaint (“FAC,” Dkt. No. 48) in the Action alleges that Defendants Applied Optoelectronics, Inc. (“AOI”), Chih-Hsiang (Thompson) Lin and Stefan J. Murry violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j and 15 U.S.C. § 78t(a), and Rule 10b-5, 17 C.F.R. 240.10b-5, promulgated thereunder. From February 23, 2017 to February 21, 2018 (the “Class Period”), Defendants are alleged to have misrepresented the strength of their “vertically integrated business model” and “proprietary manufacturing processes” that

supposedly allowed AOI to manufacture in-house the components of optical transceivers, including laser chips and light engines. *See* FAC ¶115. Defendants also misrepresented that AOI’s vertical integration “extend[ed] the gap between AOI and the competition,” was “the best way to economically manufacture these datacenter products,” and allowed AOI “to respond quickly and economically to customer demand for new products. *Id.* ¶¶4, 115

In reality, AOI’s vertically integrated manufacturing process was fundamentally flawed. According to a confidential witness, AOI skimmed on quality control (*id.* ¶70) and suffered from a variety of known manufacturing problems (*see, e.g., id.* ¶58). As a result of these failures, AOI shipped Amazon “a defective set of test transceivers” (*id.* ¶71) and delivered to its customers optical transceivers containing faulty laser chips that “were unreliable and prone to failure within several years” (*id.* ¶57). Because AOI was selling defective products, companies like Amazon significantly reduced their purchases from AOI. *Id.* ¶75. AOI’s partially corrective disclosures in August and November 2017 of the continuing loss of Amazon sales caused significant drops in AOI’s stock price, but did not disclose the manufacturing problems, including latent defects in AOI’s laser chips, that caused the lost sales.

The New Actions allege that the same Defendants violated the same federal securities laws by making the same categories of misrepresentations and omissions concerning the failure of AOI’s vertical integration model. Both plaintiffs in the New Actions cite analyst reports from September 2018 that revealed manufacturing problems that caused certain laser chips to “fail after thousands of hours of operation,” forcing AOI to consider procuring lasers from third-party suppliers. *See, e.g., Taneja* Compl. (Dkt. No. 1) ¶3. They further cite AOI’s September 28, 2018 admission that “[d]uring the third quarter, we identified an issue with a small percentage of 25G lasers within a specific customer environment” which required AOI to “suspend shipments of certain transceivers utilizing these lasers while we worked to gain a deeper understanding of the scope of the issue and implement

a solution.” *Id.* ¶24. Analysts have also recently discovered that AOI has been struggling with “a company specific quality problem” and that the undisclosed problems with AOI’s vertically integrated manufacturing model—and resulting lost business—persisted well after the Class Period set forth on the Amended Complaint. These are the exact same allegations alleged in the Action and demonstrate the veracity of Lead Plaintiff’s First Amended Complaint. Upon this news, AOI’s share price dropped in response to the foregoing revelations. *Id.* ¶25.

In light of AOI’s new revelations and admissions, Lead Plaintiff intends to seek leave to amend the FAC, pursuant to Fed. R. Civ. P. 15(a)(2), to include this new information and to extend the Class Period to September 27, 2018. Furthermore, because the Action and the New Actions are the same, Lead Plaintiff anticipates moving pursuant to LR 7.6 and Fed. R. Civ. P. 42(a)(2) to consolidate the New Actions with the Action and to strike the PSLRA deadlines pending in the New Actions.

Dated: October 11, 2018

Respectfully submitted,

/s/ Jamie J. McKey

KENDALL LAW GROUP, PLLC

JOE KENDALL

Texas Bar No. 11260700

JAMIE J. MCKEY

Texas Bar No. 24025262

3811 Turtle Creek Blvd., Suite 1450

Dallas, Texas 75219

Tel.: (214) 744-3000

Fax: (214) 744-3015

jkendall@kendalllawgroup.com

jmckey@kendalllawgroup.com

Liaison Counsel for Plaintiff and Class

LEVI & KORSINSKY, LLP

Shannon L. Hopkins (*admitted pro hac vice*) LEVI
& KORSINSKY, LLP

733 Summer Street, Suite 304

Stamford, Connecticut 06901

Telephone: (203) 992-4523

Facsimile: (212) 363-7171

shopkins@zlk.com

Lead Counsel for Plaintiff and Class

CERTIFICATE OF SERVICE

I hereby certify that on October 11, 2018, a true and correct copy of the foregoing document was filed electronically with the United States District Court for the Southern District of Texas through the Court's ECF system.

/s/ Jamie J. McKey
JAMIE J. MCKEY